

**DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2012**



## Table of Contents

		<u>Page</u>
Officials		2
Independent Auditor's Report		3-4
Management's Discussion and Analysis (MD&A)		5-16
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	18
Statement of Activities	B	19-20
Governmental Fund Financial Statements:		
Balance Sheet	C	21
Reconciliation of the Balance Sheet -		
Governmental Funds to the Statement of Net Assets	D	22
Statement of Revenues, Expenditures and Changes in Fund Balances	E	23
Reconciliation of the Statement of Revenues, Expenditures and Changes		
in Fund Balances - Governmental Funds to the Statement of Activities	F	24
Proprietary Funds Financial Statements:		
Statement of Net Assets	G	25
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	26
Statement of Cash Flows	I	27
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	28
Statement of Changes in Fiduciary Net Assets	K	29
Notes to Financial Statements		30-42
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in		
Balances-Budget and Actual-All Governmental Funds and Proprietary Funds		44
Notes to Required Supplementary Information - Budgetary Reporting		45
Schedule of Funding Progress for the Retiree Health Plan		46
Other Supplementary Information:	<u>Schedule/Statement</u>	
Non-major Governmental Funds:		
Combining Balance Sheet	1	48
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	49
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	50-51
Capital Project Accounts:		
Combining Balance Sheet	4	52
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	5	53
Proprietary Funds:		
Combining Statement of Net Assets	6	54
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	7	55
Combining Statement of Cash Flows	8	56
Schedule of Changes in Fiduciary Assets and Liabilities – Agency Fund	9	57
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	10	58
Schedule of Expenditures of Federal Awards	11	59
Notes to Schedule of Expenditures of Federal Awards		60
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance		
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with		
<i>Government Auditing Standards</i>		61-62
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect		
on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133		63-64
Schedule of Findings and Questioned Costs		65-67

**Dallas Center-Grimes Community School District  
Board of Education and School District Officials  
Year Ended June 30, 2012**

---

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
(Before September 2011 Election)		
Douglas Rothfus	President	2012
David Eilers	Vice President	2013
Angela Glasgow	Board Member	2012
Kathie Hicok	Board Member	2012
Ronnie Wiedman	Board Member	2012
Scott Brown	Board Member	2013
Del Gustafson	Board Member	2013
(After September 2011 Election)		
Douglas Rothfus	President	2015
David Eilers	Vice President	2013
Scott Brown	Board Member	2013
Del Gustafson	Board Member	2013
Angela Glasgow	Board Member	2015
Kathie Hicok	Board Member	2015
Ronnie Wiedman	Board Member	2015
<b>School District Officials</b>		
Scott Grimes	Superintendent	2012
Michelle Wearmouth	District Secretary/Treasurer and Business Manager	2012
Ralph Brown	Attorney	Indefinite
Ahler's Law Firm	Attorney	Indefinite



705 Main Street  
Pella, IA 50219  
641-628-3737

[www.vanmaanenpcpa.com](http://www.vanmaanenpcpa.com)

**Van Maanen, Sietstra & Meyer, PC**  
CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditor's Report

To the Board of Education  
Dallas Center-Grimes Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Dallas Center-Grimes Community School District, Dallas Center and Grimes, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Dallas Center-Grimes Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2012 on our consideration of Dallas Center-Grimes Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 16 and 44 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Dallas Center-Grimes Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 11, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Van Maanen, Sietstra & Meyer, PC*

Van Maanen, Sietstra & Meyer, PC  
Certified Public Accountants

November 20, 2012

The Dallas Center - Grimes Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

This is the seventh year since implementing new reporting standards with significant changes in content and structure, and some of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations. In many summary sections, management has added references to financial data and situations of some previous years to assist with understanding data since the FY 2004 transition year.

### **Financial Highlights**

- ◆ General Fund revenues increased from \$18,986,650 in FY11 to \$19,426,758 in FY12 while General Fund expenditures increased from \$17,346,541 in fiscal 2011 to \$18,488,218 in fiscal 2012. This resulted in an increase of \$938,540 in the District's General Fund balances, including restricted, committed and unassigned fund balances, from \$4,852,373 in fiscal 2011 to \$5,790,913 in fiscal 2012 noting that funds have been committed for the 12-13 opening of the Meadows facility increased costs.
- ◆ The increase in General Fund revenues was primarily attributable to an increase in receipts of state funds and property tax collections due to 2% allowable growth and increase in student enrollment.
- ◆ The increase in General Fund expenditures was primarily attributable to an increase in the negotiated salary and benefits. As student numbers increase, instructional supply expenditures increased as well.

### **Overview of the Financial Statements**

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- ◆ The first two statements are *government-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- ◆ The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- ◆ The statements for *governmental funds* explain how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending.
- ◆ The statements for *proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- ◆ The statements for *fiduciary funds* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1 shows how the various parts of this report are arranged and relate to one another.

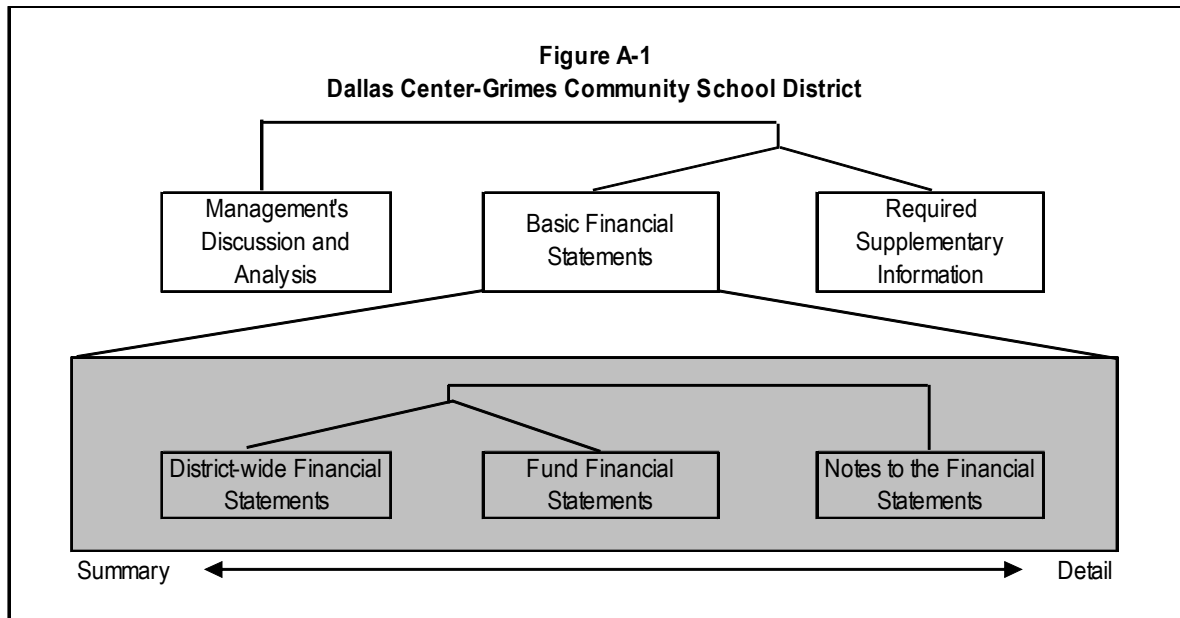




Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

<b>Figure A-2</b>				
<b>Major Features of the District-wide and Fund Financial Statements</b>				
	District-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as the special education and building maintenance	Activities the district operates similar to private businesses: food services, farm account, and student construction	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of net assets * Statement of activities	* Balance sheet * Statement of revenues, expenditures, and changes in fund balances	* Statement of net assets * Statement of revenues, expenses and changes in net assets * Statement of cash flows	* Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year; or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid
Common names of district funds included	All funds with the exception of scholarship funds	General, Debt Service, Capital Projects, Management, Student Activity	Nutrition Fund, Farm Enterprise Account, Student Construction Fund	Burnett Scholarship, Brewer Scholarship, Anderson Scholarship, Bowersox Scholarship

**Dallas Center-Grimes Community School District  
Management's Discussion and Analysis  
June 30, 2012**

**District-wide Statements**

The Government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two Government-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

Review of DC-G Property Tax Valuations by Year			
Year	Taxable Valuation without TIF	Increase over previous year	Percent increase
FY2001	\$ 270,537,874	34,145,130	12.62%
FY2002	337,471,923	66,934,049	19.83%
FY2003	354,464,375	16,992,452	4.79%
FY2004	361,420,196	6,955,821	1.92%
FY2005	383,341,568	21,921,372	5.72%
FY2006	418,254,246	34,912,678	8.35%
FY2007	453,208,099	34,953,853	7.71%
FY2008	495,093,032	41,884,933	8.46%
FY2009	550,887,628	55,794,596	10.13%
FY2010	611,963,877	61,076,249	9.98%
FY2011	681,813,196	69,849,319	10.24%
FY2012	673,865,979	(7,947,217)	-1.18%

Dallas Center - Grimes Facilities by Age	
Dallas Center – Grimes Elementary, Grimes	Opened 8-1-1988
Dallas Center – Grimes Elementary, Dallas Center	Opened 1-1-2002
Dallas Center – Grimes Middle School, Dallas Center	Opened 8-1-2004
Dallas Center – Grimes High School, Grimes	Opened 8-1-2002
Dallas Center – Grimes Auditorium addition, Grimes	Opened 9-1-2005
Dallas Center – Grimes Sports Complex, Grimes	Final phase 9-1-2006
Dallas Center - Grimes North Ridge Elementary, Grimes	Opened 8-1-2008
Dallas Center - Grimes Meadows 8-9, Grimes	Opened 8-1-2012

In the District-wide financial statements, the District's activities are divided into two categories:





- ◆ *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- ◆ *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- ◆ Some funds are required by state law and by bond covenants.
- ◆ The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- ◆ Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.  
 The District's governmental funds include the General Fund, Debt Service Fund, Capital Projects Funds, and Special Revenue funds such as the Student Activity fund, Management fund, and PPEL fund.
- ◆ Proprietary Funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.  
 The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District's enterprise funds include the School Nutrition Fund, Student Construction Fund, and the Farm Enterprise Fund.
- ◆ Fiduciary Funds: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-purpose Trust and Agency funds.  
 Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund. There are currently five scholarship trust funds: Burnett Scholarship, Brewer Scholarship, Anderson Scholarship, Schnell Scholarship, and Bowersox Scholarship funds.  
 Agency Fund- These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases. The District has only one Agency fund which holds employee funds contributed by employees through payroll for use in the Medical and Dependent Care Flexible Spending Program.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

**Financial Analysis of the District as a Whole**

**Net assets** – Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2012 compared to 2011.

**Figure A-3**  
**Condensed Statement of Net Assets**  
**(Expressed in Thousands)**

	Governmental Activities June 30,		Business type Activities June 30,		Total District June 30,		Total Change June 30, 2011-2012
	2012	2011	2012	2011	2012	2011	
Current and other assets	\$ 34,863	36,349	407	177	35,270	36,526	-3.4%
Capital assets	48,445	36,334	171	206	48,616	36,540	33.0%
Total assets	83,308	72,683	578	383	83,886	73,066	14.8%
Long-term liabilities	45,244	36,953	1	1	45,245	36,954	22.4%
Other liabilities	12,480	12,421	170	4	12,650	12,425	1.8%
Total liabilities	57,724	49,374	171	5	57,895	49,379	17.2%
Net assets:							
Invested in capital assets, net of related debt	5,858	15,610	171	206	6,029	15,816	-61.9%
Restricted	14,634	3,560	-	-	14,634	3,560	311.1%
Unrestricted	5,092	4,139	236	172	5,328	4,311	23.6%
Total net assets	\$ 25,584	23,309	407	378	25,991	23,687	9.7%

The decrease in the percentage of current and other assets are primarily due to restricted spending in FY11 in preparation of budget constraints expected in FY12 and board reserved fund in preparation of the opening of a new facility. Capital assets increased due to new construction (Meadows) to be completed in August 2012 and restricted assets increased as new construction funds were held at June 30 for the Meadows building construction.

Figure A-4 shows the change in net assets for the year ended June 30, 2012.

<b>Figure A-4</b> <b>Changes in Net Assets</b> <b>(Expressed in Thousands)</b>							
	Governmental Activities		Business Type Activities		Total District		Total Change
	Year ended June 30,		Year ended June 30,		Year ended June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Revenues:							
Program revenues:							
Charges for service	\$ 2,819	2,092	1,028	1,015	3,847	3,107	23.8%
Operating grants, contributions and restricted interest	2,693	3,290	289	298	2,982	3,588	-16.9%
General revenues:							
Property tax	11,355	11,029	-	-	11,355	11,029	3.0%
Statewide sales, services and use tax	1,594	1,711	-	-	1,594	1,711	-6.8%
Unrestricted state grants	7,270	6,337	-	-	7,270	6,337	14.7%
Unrestricted investment earnings	102	36	1	1	103	37	178.4%
Other	1,251	325	8	-	1,259	325	287.4%
Total revenues	27,084	24,820	1,326	1,314	28,410	26,134	8.7%
Program expenses:							
Governmental activities:							
Instruction	13,724	12,659	-	-	13,724	12,659	8.4%
Support services	6,562	6,163	-	-	6,562	6,163	6.5%
Non-instructional programs	-	-	1,297	1,304	1,297	1,304	-0.5%
Other expenses	4,523	2,755	-	-	4,523	2,755	64.2%
Total expenses	24,809	21,577	1,297	1,304	26,106	22,881	14.1%
Change in net assets	\$ 2,275	3,243	29	10	2,304	3,253	-29.2%

Property tax, sales and service tax, and unrestricted state grants account for 75% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 82% of the total expenses.

#### Governmental Activities

Revenues for governmental activities were \$27,083,962 and expenses were \$24,808,538.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

<b>Figure A-5</b> <b>Total and Net Cost of Governmental Activities</b> <b>(Expressed in Thousands)</b>						
	Total Cost of Services		Change	Net Cost of Services		Change
	2012	2011	2011-2012	2012	2011	2011-2012
Instruction	\$ 13,724	12,659	8.4%	8,972	8,066	11.2%
Support services	6,562	6,163	6.5%	6,503	6,105	6.5%
Other expenses	4,523	2,755	64.2%	3,822	2,024	88.8%
Totals	\$ 24,809	21,577	15.0%	19,297	16,195	19.2%



The cost financed by users of the District's programs was \$2,819,031.



Federal and state government subsidized certain programs with grants and contributions totaling \$2,692,955. The net cost of governmental activities was financed with \$12,949,278 in property and other taxes and \$7,269,994 in unrestricted state grants.

### Business Type Activities

Revenues for business type activities were \$1,326,683 and expenses were \$1,297,319. The District's business type activities include the School Nutrition Fund, Student Construction, and Farm Enterprise Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2012, the District increased meal prices by .10 cents. The District continues to contract food services with Taher, Incorporated of Minnesota.

### INDIVIDUAL FUND ANALYSIS

As previously noted, Dallas Center-Grimes Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its government funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$22,367,756. A significant decrease to fund balance in the local option sales tax fund was observed as these funds are expended for the Meadows building project and a significant decrease in funds held in capital projects for the same purpose. The previous year, governmental funds reported a combined fund balance of \$24,420,868.

### Governmental Fund Highlights



The district general fund balance increased in FY12. The general fund committed fund balance increased from \$3,616,736 unassigned fund balance in FY11 to \$4,642,942. The district's goal was to maintain a steady fund balance in the general fund yet prepare over a three year period for the increased costs of the opening year of the Meadows facility. The district's targeted financial solvency rate is 10-15%. The solvency ratio was 23%.



DC-G has experienced enrollment growth, which has allowed for additional dollars to fund programs. This has allowed some of the increased cost to be covered by new funds. Significant student growth within a single year may inhibit the district's ability to maintain a constant property tax rate.



Over the past nine years the net impact of open enrollment has been very positive for DC-G. There is net \$1,517,814 more available for funding programs within our district in 11-12 due to positive net open enrollment of 258 students.



In 2001-02, DC-G implemented an instructional levy. In 2001-02, the instructional levy was 3%, in 2002-03 it was 7%, and since 2003-04 this levy has been at the maximum 10%. Prior to 2004-05, the district elected not to commit all the instructional levy dollars to spending in the same year. However, in the 2004-05, 2005-06 and 2006-07 fiscal years, the full instructional support levy amount was committed to current year spending. The district voted to renew its instructional levy in October 2008 for a five year period beginning July 1, 2009. It will be imperative for the district to renew the instructional support levy in the upcoming year.



The district has implemented an extensive at-risk program, now at the maximum funding level. This has provided funding for some of the additional staff needed in the district, and has allowed the regular operating budget to absorb other increases.




The district's administrative team and school board closely monitor monthly revenues and expenditures. The board has intentionally decided not to commit funds beyond a certain level which helps maintain a relatively constant or increasing fund balance.



Due to the influx of Federal funds from the American Recovery and Reinvestment Act of 2009 (ARRA), the Board was able to make a further commitment toward lessening impact of state funding shortfalls expected in 2011-12. On August 30, 2010 the Board designated \$200,000 toward the opening of the new 8-9 building and \$300,000 toward funding state aid shortfalls expected in 2011-12. On August 22, 2011, the board re-allocated these funds plus \$500,000 additional toward one-time expenses associated with the opening of the 8-9 facility in 2012-13.



The Physical Plant and Equipment Levy (PPEL) fund balance increased from \$1,023,598 at the end of FY11 to \$1,051,077 at the end of FY12. Funds were spent primarily on school bus purchases, carpet replacement, and other district repairs and maintenance.

 The Capital Projects funds decreased from \$9,173,867 at the end of FY11 to \$0 at the end of FY12 as the QSCB bonds, both general obligation and revenue obligation bonds, were expended for the construction of the Meadows 8-9 building. The remaining construction on the project will be paid with local option sales tax funds.

 The Management fund balance decreased from \$481,303 at June 30, 2011 to \$298,734 at the close of FY12.

### Proprietary Fund Highlights

School Nutrition cash/investments and inventories increased from \$140,546 at June 30, 2011 to \$186,752 at June 30, 2012. The Farm account cash/investments decreased from 13,060 at FY11 to \$9,773 at FY12 and is expected to further decline with fewer acres farmed.

### BUDGETARY HIGHLIGHTS

Over the course of the year, Dallas Center - Grimes Community School District monitored the published budget. Budget amendments were needed in one of the four areas, the instructional area, but not enacted prior to the deadline. The amount budgeted in the instructional area was \$12,655,204 and actual expenditures were \$13,029,645 which is a difference of approximately 2%.

The District's receipts were \$140,869 lower than budgeted receipts, a variance of approximately one-half of one percent.

It is the district's practice to budget expenditures at levels up to the maximum authorized spending authority for funds, yet to manage and control the spending through the line-item budget.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2012, the District had invested \$48.4 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 33% from last year primarily due to the new facility. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$1,159,103.

**Figure A-6**  
**Capital Assets, net of Depreciation**  
**(Expressed in Thousands)**

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Land	\$ 1,994	1,994	-	-	1,994	1,994	0.0%
Construction in progress	14,756	1,755	-	-	14,756	1,755	-
Buildings	30,403	31,103	-	-	30,403	31,103	-2.3%
Improvements other than buildings	377	475	-	-	377	475	-20.6%
Furniture and equipment	915	1,007	171	206	1,086	1,213	-10.5%
Totals	\$ 48,445	36,334	171	206	48,616	36,540	33.0%

#### Long Term Debt

At June 30, 2011, the District has \$45,22,330 in general obligation, revenue and other long-term debt outstanding. This represents an increase of approximately 22% percent from last year attributable to refinancing obligations and increased early retirement program offerings. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 of the financial statements.

<b>Figure A-7</b>			
<b>Outstanding Long-Term Obligations</b>			
<b>(Expressed in Thousands)</b>			
	Total District		Total Change
	June 30,		June 30,
	2012	2011	2011-2012
General obligation bonds	\$ 39,595	31,165	27.0%
Revenue bonds	4,925	4,925	-
Capital loan notes	-	175	-100.0%
Bond premium, net	23	27	-14.8%
Early retirement	606	565	7.3%
Other postemployment benefits	95	96	-
Totals	\$ 45,244	36,953	22.4%

The following reviews recent bonding and construction:

October 19, 1999	Bond issue 9.75 million for purchase of Rhinehart land, Purchase of Meadows land & build/furnish high school on Meadows land	(Levy A only) Pass
November 23, 1999	1.26 million bond sold to begin construction and make land purchases Passage of the Polk County Local Option Sales Tax Revenue bond 4.9 million for the construction of DC elementary sold on October 17, 2000	Levy B – Fail Pass
December 7, 1999	Levy B raising funds to levy at the \$4.05 mark for the 9.75 million dollar bond issue. 9.985 GO bond sold which was remaining dollars authorized Oct. 19, 1999 and refinance Grimes elementary bond	Pass
July 16, 2002	Bond issue 6.4 million for construction, renovation, and furnishing a new middle school in Dallas Center	Pass
March 19, 2004	Began Phase One of Sports Complex project funded with Local Option Sales and Service dollars. Phase one completed October 18, 2004.	
March 30, 2004	Bond issue 3.0 million for construction and furnishing of auditorium addition to the high school	Pass
April 11, 2006	Bond issue 6.5 million for site acquisition, construction, and furnishing of a new elementary school (North Ridge Elementary)	Pass
April 11, 2006	Passage of Voter-Approved PPEL Levy not to exceed \$1.34 / \$1000	Pass
September 9, 2008	Revenue purpose statement SAVE / LOSST fund	Pass
September 14, 2010	QSCB General Obligation Bond \$11,315,000 Taxable for 8-9 building	Pass

#### ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances which may affect financial health in the future:



The district continues to experience enrollment growth. The district's population in 2010 is currently estimated at 9,869 which is approximately 51% growth over the 2000 census.



The most recent bond issue voted September 14, 2010 had an 82% positive vote in the election and construction has begun in FY 2011 on a new Meadows 8-9 facility in Grimes and will be completed in August 2012.



The largest home builder in the district, Regency Homes, Incorporated, has dissolved business in 2009. Other private homebuilders continue to select the Grimes area for new home construction. The recent rate of growth will allow for a manageable transition to additional facilities, but accelerated rates of growth will greatly stress current facilities. The district



continues to monitor growth of residential housing by monitoring the number of building permits granted and it is noted that recent data indicates a decline in new building permits filed within the District.



In September 2008, the district approved a new Statement of Purpose for the LOSST. This will allow a greater use of LOSST funds and adding to the capacity for projects that have primarily been PPEL projects.



In the fall of 2008, the district established a community wide facility committee. Although this committee was established for future facility needs, it was used for planning in the expected funding reduction in LOSST. This committee made its final recommendation to the Board in July 2009 recommending a new building project. This resulted in an election and two subsequent QSCB bond issues sold December 8, 2010 which will fund new construction of an 8-9 facility. This building is currently under construction and the facility committee continues to meet to review future facility needs of the district.



The district currently has two sources that can be used to build and maintain buildings. Bonding capacity is about \$2,000,000, the district has Board and voter approved PPEL allowed to be as high as \$1.67 per thousand and the districts current county LOSST/SAVE that will transfer to the state-wide plan as each expire. Due to current economic conditions, the district will need to be very careful how these funds are used and what is requested from patrons in the form of any future bond issue. The district will attempt to use LOSST funds for ongoing repair and maintenance of facilities rather than additional bonding of these revenue based funds.



Along with growth, transportation needs to transport students to school locations continues to grow. The district has purchased two new buses. The district will need to maintain a level of at least two to three bus purchases annually in the future which has been included in the district ten-year PPEL planning. If neighborhood school boundaries are changed, bussing needs may also change and additional buses must be purchased per year.



The district has a limited transportation facility at this time, and with a growing fleet the need for a central location to store and perform maintenance on the fleet increases. Land was purchased at the edge of Grimes for this future purpose. The District will need to locate central storage and warehousing, and it may be feasible to combine a bus storage and maintenance facility with central warehousing at this location. Although the land was purchased in 2008-09 using LOSST funds, the project will not begin until some time in the future, likely using PPEL funding.



Fiscal 2012 was the first year of a two-year contract with the Dallas Center-Grimes Education Association. The board agreed to a two-year contract for FY2012 and FY2013 with the DCGEA. The Board is working to increase teachers' salaries to be more comparable to the metro area, giving teachers 65% of new money for the 2011-12 school year. Future increases are tied to the allowable growth set by the state, which allows for a positive situation for the district. If needed, staff increases can be limited to lane, step, and insurance increases.



For the district's most recent bond, the bond rating was issued by Moody's Investing Service for the fourth time. The rating is A3.



Over the past several years, the district net open enrollment in and out number has improved dramatically. The 2013 school year will experience a net positive open enrollment students near the same figures as the previous fiscal year. The district will need to be careful of funding ongoing expenditures with funds as variable as open enrollment and make immediate changes in staffing levels if open enrollment drops. The district needs to continue to foster open enrollment to the extent that facilities allow.



In the January 1, 2012 assessment of District taxable valuation, property values decreased by -1.17%. A negative valuation projection had not been planned in any of the District's projection models and was an unexpected challenge in budgeting for FY13. Although the District has seen valuation increases of greater than 14% in previous years, a five-year rolling average is being used to plan for growth when projecting ability to bond in the future with a 50% reduction implemented for the next three years. This is due to the decline in the housing and construction markets. With the many variables associated with property tax valuation such as agricultural valuation changes in Dallas County, TIF valuation changes, and reassessment of properties, the District will monitor closely as it may not experience the same historic levels of taxable property valuation growth.



Area cities continue to discuss and use TIF as means of supporting development. All TIF, but especially residential TIFs will have a negative impact on property tax rate. The district must continue to monitor and oppose TIFs that negatively impact the district.



The district has grown an average of 47 students per year for the past ten years. The district experienced record growth in the 2007-08 school year increasing by 128 students. The growth recorded in September 2008 was 63 students, September 2009 was 53 students, September 2010 was 58 students, September 2011 was 28 students, and September 2012 was a record 157.37 students. Although this level of growth is not planned for the future, it is prudent for the district to plan for growth of 50 to 75 students per year. This increase creates facility challenges as the district also increases its preschool program.



To the south of the Grimes area, Aurora Business Park, L.L.C. has continued construction of a projected \$300 million dollar business park within school boundaries. This development will significantly increase property valuation, and will be the

workplace of nearly one-thousand employees. This development may have an impact upon the enrollment of the District. Unfortunately, the area is a TIF area so general fund valuation will not grow with the development.



In the past year Walmart opened a new store in the City of Grimes. Although not in the school district, the expected and planned retail development will impact the district's taxable valuation and enrollment. Commercial growth continues to happen in this area and land has been donated near this site for a YMCA.



Residential building permits are being requested well below the level five years ago but on a steady incline from the past few years. The district will need to closely monitor changes in enrollment and make staffing changes immediately. Failure to monitor and/or to react to enrollment declines will negatively impact the district's budget.



Although current facilities are in great condition, there has been an increasing need for annual facility maintenance funds, as district facilities are no longer under warranty and start to age. Much of the increased cost is associated with managing increased technology in our mechanical and electrical systems. The voters of the District approved a voted-PPEL levy to help meet the annual facility maintenance needs.



The rapid addition of facilities has been fostered by significant residential and commercial taxable valuation growth. A decrease in valuation will likely have an impact on the district property tax rate. Although district enrollment growth has been manageable, rates of growth similar to other area districts will result in a significant impact upon facilities and in the property tax rate.



Ongoing discussions of revisions to Highway 44, Highway 141, and the construction of a north/south bypass and/or an east/west bypass will impact the commercial and residential growth of Grimes.



Energy costs continue to be an increasing portion of the district's budget. The district has undertaken and completed an \$800,000 project over a three-year period to upgrade mechanical and electrical systems. Most of the elements of this project are energy conservation related, which should help lower energy cost in the future. This project is was funded by a five-year PPEL bond and annual revenue.



The Board recognizes the increased costs associated with opening new facilities and has committed funds each year over the past two fiscal years to accommodate that purpose for the opening of the 8-9 facility in July 2012.



The District has structured payments for General Obligation bonds with several larger payments in the years 2027, 2028, and 2029. This structure will create difficulty in future bonding schedules, as the payments scheduled in those years significantly consume the levy capacity in those years, thus precluding the payment of principal and interest (in those years) on future bonds that might need to be issued, and the Board will prudently review this situation and take available action to consider using subsidy payments and any surplus levy capacity, if any, within the maximum permitted levy rate toward the early escrow or retirement of those bonds, such that future bonds may be issued within statutory levy rate maximums with payments in those years.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Michelle Wearmouth, Business Manager at Dallas Center-Grimes Community School District, P.O. Box 512, Dallas Center, Iowa 50063.

## **Basic Financial Statements**

**Dallas Center-Grimes Community School District**  
**Statement of Net Assets**  
**June 30, 2012**

	Governmental Activities	Business type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 22,733,308	196,525	22,929,833
Receivables:			
Property tax:			
Delinquent	65,657	-	65,657
Succeeding year	10,924,539	-	10,924,539
Accounts	-	193,766	193,766
Due from other funds	156,927	-	156,927
Due from other governments	332,817	-	332,817
Inventories	-	16,589	16,589
Bond issuance costs, net of accumulated amortization	172,584	-	172,584
Deferred bond costs, net of accumulated amortization	477,333	-	477,333
Capital assets, net of accumulated depreciation	48,445,172	171,294	48,616,466
<b>Total assets</b>	<b>83,308,337</b>	<b>578,174</b>	<b>83,886,511</b>
<b>Liabilities</b>			
Accounts payable	1,080,614	13,105	1,093,719
Salaries and benefits payable	317,672	-	317,672
Due to other funds	-	156,927	156,927
Accrued interest payable	157,202	-	157,202
Deferred revenue:			
Succeeding year property tax	10,924,539	-	10,924,539
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	1,075,000	-	1,075,000
Early retirement	143,876	-	143,876
Portion due after one year:			
General obligation bonds	38,520,000	-	38,520,000
Revenue bonds	4,925,000	-	4,925,000
Bond premium liability, net of accumulated amortization	23,400	-	23,400
Early retirement	461,575	-	461,575
Net OPEB liability	94,879	680	95,559
<b>Total liabilities</b>	<b>57,723,757</b>	<b>170,712</b>	<b>57,894,469</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	5,858,082	171,294	6,029,376
Restricted for:			
Categorical funding	147,971	-	147,971
Debt service	11,159,532	-	11,159,532
Management levy purposes	298,734	-	298,734
Physical plant and equipment	1,051,077	-	1,051,077
Capital projects	1,769,427	-	1,769,427
Student activities	207,961	-	207,961
Unrestricted	5,091,796	236,168	2,061,049
<b>Total net assets</b>	<b>\$ 25,584,580</b>	<b>407,462</b>	<b>25,992,042</b>

See notes to financial statements.

**Dallas Center-Grimes Community School District**  
**Statement of Activities**  
**Year ended June 30, 2012**

Functions/Programs	Program Revenues					Net (Expense) Revenue & Changes in Net Assets
	Expenses	Charges for Service	Restricted Interest	Governmental Activities	Business Type Activities	Total
Governmental activities:						
Instruction:						
Regular instruction	\$ 8,798,894	2,033,346	1,232,363	(5,533,185)	-	(5,533,185)
Special instruction	2,761,220	154,857	678,992	(1,927,371)	-	(1,927,371)
Other instruction	2,164,110	588,843	64,135	(1,511,132)	-	(1,511,132)
	13,724,224	2,777,046	1,975,490	(8,971,688)	-	(8,971,688)
Support Services:						
Student	462,650	-	-	(462,650)	-	(462,650)
Instructional staff	851,748	-	-	(851,748)	-	(851,748)
Administration	2,068,122	-	-	(2,068,122)	-	(2,068,122)
Operating and maintenance of plant	2,262,740	-	-	(2,262,740)	-	(2,262,740)
Transportation	916,462	41,985	16,814	(857,663)	-	(857,663)
	6,561,722	41,985	16,814	(6,502,923)	-	(6,502,923)
Other expenditures:						
Facilities acquisition	2,270,984	-	-	(2,270,984)	-	(2,270,984)
Long-term debt interest	1,550,957	-	-	(1,550,957)	-	(1,550,957)
AEA flowthrough	700,651	-	700,651	-	-	-
	4,522,592	-	700,651	(3,821,941)	-	(3,821,941)
Total governmental activities	24,808,538	2,819,031	2,692,955	(19,296,552)	-	(19,296,552)
Business type activities:						
Non-instructional programs:						
Food service operations	1,113,543	834,046	288,827	-	9,330	9,330
Student construction	179,854	193,766	-	-	13,912	13,912
Farm account	3,922	635	-	-	(3,287)	(3,287)
Total business type activities	1,297,319	1,028,447	288,827	-	19,955	19,955
Total primary government	\$ 26,105,857	3,847,478	2,981,782	(19,296,552)	19,955	(19,276,597)

## Exhibit B

**Dallas Center-Grimes Community School District**  
**Statement of Activities**  
**Year ended June 30, 2012**

	Program Revenues			Net (Expense)	Revenue & Changes in Net Assets	
			Operating Grants, Contributions and	Governmental	Business	
	Expenses	Charges for Service	Restricted Interest	Activities	Type Activities	Total
<b>Totals from previous page</b>	<b>\$ 26,105,857</b>	<b>3,847,478</b>	<b>2,981,782</b>	<b>(19,296,552)</b>	<b>19,955</b>	<b>(19,276,597)</b>
General Revenues:						
Property tax levied for:						
General purposes				7,623,223	-	7,623,223
Debt service				2,830,332	-	2,830,332
Capital outlay				901,963	-	901,963
Statewide sales, services and use tax				1,593,760	-	1,593,760
Unrestricted state grants				7,269,994	-	7,269,994
Unrestricted investment earnings				101,520	732	102,252
Other				1,250,442	-	1,250,442
Contributions not restricted to specific programs				2,465	-	2,465
Gain (loss) on disposal of capital assets				(1,723)	(1,430)	(3,153)
Contributed capital				-	10,107	10,107
Total general revenues				21,571,976	9,409	21,581,385
Change in net assets				2,275,424	29,364	2,304,788
Net assets beginning of year, as restated				23,309,156	378,098	23,687,254
Net assets end of year				\$ 25,584,580	407,462	25,992,042

See notes to financial statements.

## Exhibit C

**Dallas Center-Grimes Community School District**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2012**

	General	Debt Service	Capital Projects	Non-major Governmental	Total
<b>Assets and Other Debits</b>					
Cash and pooled investments					
Other	\$ 6,220,678	10,823,483	5,331,002	358,145	22,733,308
Receivables:					
Property tax:					
Delinquent	41,578	15,918	5,259	2,902	65,657
Succeeding year	6,613,287	2,610,896	1,125,356	575,000	10,924,539
Due from other funds	-	-	-	156,927	156,927
Due from other governments	204,274	-	128,543	-	332,817
Deferred bond costs	-	477,333	-	-	477,333
<b>Total assets and other debits</b>	<b>\$ 13,079,817</b>	<b>13,927,630</b>	<b>6,590,160</b>	<b>1,092,974</b>	<b>34,690,581</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 357,945	-	711,390	11,279	1,080,614
Salaries and benefits payable	317,672	-	-	-	317,672
Deferred revenue:					
Succeeding year property tax	6,613,287	2,610,896	1,125,356	575,000	10,924,539
<b>Total liabilities</b>	<b>7,288,904</b>	<b>2,610,896</b>	<b>1,836,746</b>	<b>586,279</b>	<b>12,322,825</b>
Fund balances:					
Restricted for:					
Categorical funding	147,971	-	-	-	147,971
Debt service	-	11,316,734	-	-	11,316,734
Management levy purposes	-	-	-	298,734	298,734
Student activities	-	-	-	207,961	207,961
School infrastructure	-	-	3,702,337	-	3,702,337
Physical plant and equipment	-	-	1,051,077	-	1,051,077
Committed for special purposes by the Board	1,000,000	-	-	-	1,000,000
Unassigned	4,642,942	-	-	-	4,642,942
<b>Total fund balances</b>	<b>5,790,913</b>	<b>11,316,734</b>	<b>4,753,414</b>	<b>506,695</b>	<b>22,367,756</b>
<b>Total liabilities and fund balances</b>	<b>\$ 13,079,817</b>	<b>13,927,630</b>	<b>6,590,160</b>	<b>1,092,974</b>	<b>34,690,581</b>

See notes to financial statements.

Exhibit D

**Dallas Center-Grimes Community School District  
Reconciliation of the Balance Sheet  
Governmental Funds to the Statement of Net Assets  
June 30, 2012**

---

**Total fund balances of governmental funds (Exhibit C)** **\$ 22,367,756**

***Amounts reported for governmental activities in the statement of net assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds:

Land	\$ 1,993,829	
Construction-in-progress	14,756,395	
Buildings	38,553,667	
Improvements	1,436,448	
Vehicles, furniture and equipment	4,251,865	
Accumulated depreciation	<u>(12,547,032)</u>	48,445,172

Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year-end consist of:

General obligation bonds	(39,595,000)	
Sales tax revenue bonds	(4,925,000)	
Deferred charges	172,584	
Bond premiums	(23,400)	
Accrued interest payable	(157,202)	
Other postemployment benefits	(94,879)	
Special termination benefits	<u>(605,451)</u>	(45,228,348)

**Net assets of governmental activities (Exhibit A)** **\$ 25,584,580**

See notes to financial statements.



## Exhibit E

**Dallas Center-Grimes Community School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**Year ended June 30, 2012**

	General	Debt Service	Capital Projects	Non-major Governmental	Total
Revenues:					
Local sources:					
Local tax	\$ 7,125,896	2,830,332	2,495,723	497,327	12,949,278
Tuition	1,980,567	-	-	-	1,980,567
Other	355,945	26,418	75,156	609,016	1,066,535
State sources	9,542,518	618	196	115	9,543,447
Federal sources	421,832	1,124,026	-	-	1,545,858
Total revenues	19,426,758	3,981,394	2,571,075	1,106,458	27,085,685
Expenditures:					
Current:					
Instruction:					
Regular	8,374,462	-	-	127,022	8,501,484
Special	2,755,783	-	-	-	2,755,783
Other	1,037,944	-	-	550,658	1,588,602
	12,168,189	-	-	677,680	12,845,869
Support services:					
Student	460,271	-	-	-	460,271
Instructional staff	762,515	-	-	-	762,515
Administration	1,931,809	-	101,159	-	2,032,968
Operation and maintenance of plant	1,669,047	-	43,346	540,985	2,253,378
Transportation	795,736	-	175,612	31,512	1,002,860
	5,619,378	-	320,117	572,497	6,511,992
Other expenditures:					
Facilities acquisition	-	-	15,272,641	-	15,272,641
Long-term debt:					
Principal	-	1,245,000	-	-	1,245,000
Interest and fiscal charges	-	2,002,977	-	-	2,002,977
Bond issuance costs	-	59,667	-	-	59,667
AEA flowthrough	700,651	-	-	-	700,651
	700,651	3,307,644	15,272,641	-	19,280,936
Total expenditures	18,488,218	3,307,644	15,592,758	1,250,177	38,638,797
Excess (deficiency) of revenues over (under) expenditures	938,540	673,750	(13,021,683)	(143,719)	(11,553,112)
Other financing sources (uses):					
General obligation bonds issued	-	9,500,000	-	-	9,500,000
Revenue bonds issued	-	-	-	-	-
Discount on bonds issued	-	-	-	-	-
Operating transfers in	-	559,193	-	-	559,193
Operating transfers out	-	-	(559,193)	-	(559,193)
Total other financing sources (uses)	-	10,059,193	(559,193)	-	9,500,000
Net change in fund balances	938,540	10,732,943	(13,580,876)	(143,719)	(2,053,112)
Fund balances beginning of year, as restated	4,852,373	583,791	18,334,290	650,414	24,420,868
Fund balances end of year	\$ 5,790,913	11,316,734	4,753,414	506,695	22,367,756

See notes to financial statements.

Exhibit F

**Dallas Center-Grimes Community School District**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds to the Statement of Activities**  
**Year ended June 30, 2012**

---

**Net change in fund balances - total governmental funds (Exhibit E)** **\$ (2,053,112)**

***Amounts reported for governmental activities in the statement of activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays, depreciation expense and other transactions involving capital assets in the year are as follows:

Capital outlays	\$ 13,271,814	
Depreciation expense	(1,159,103)	
Gain (loss) on disposal of capital assets	<u>(1,723)</u>	12,110,988

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:

GO refunding bonds issued	(9,500,000)	
Bond principal repaid	1,070,000	
Note principal repaid	175,000	
Amortization of bond premium	3,019	
Bond issuance costs	59,449	
Amortization of bond issuance costs	<u>(8,768)</u>	(8,201,300)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 457,987

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Early retirement	(40,062)	
Other postemployment benefits	<u>923</u>	(39,139)

**Change in net assets of governmental activities (Exhibit B)** **\$ 2,275,424**

See notes to financial statements.

Exhibit G

**Dallas Center-Grimes Community School District  
Statement of Net Assets  
Proprietary Funds  
June 30, 2012**

	Enterprise Funds
<b>Assets</b>	
Cash and cash equivalents	\$ 196,525
Accounts receivable	193,766
Inventories	16,589
Capital assets, net of accumulated depreciation	171,294
<b>Total assets</b>	<b>578,174</b>
<b>Liabilities</b>	
Accounts payable	13,105
Due to other funds	156,927
Net OPEB liability	680
<b>Total liabilities</b>	<b>170,712</b>
<b>Net assets</b>	
Invested in capital assets	171,294
Unrestricted	236,168
<b>Total net assets</b>	<b>\$ 407,462</b>

See notes to financial statements.

Exhibit H

**Dallas Center-Grimes Community School District**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**Year ended June 30, 2012**

	Enterprise Funds
Operating revenues:	
Local sources:	
Operating revenues	\$ 1,028,447
Operating expenses:	
Instructional programs:	
Support services:	
Services	72,112
Supplies	111,414
Miscellaneous	250
	183,776
Non-instructional programs:	
Food service operations:	
Salaries	40,981
Benefits	12,041
Services	962,896
Supplies	57,479
Depreciation	40,146
	1,113,543
Total operating expenses	1,297,319
Operating loss	(268,872)
Non-operating revenues:	
State sources	9,373
Federal sources	279,454
Interest income	732
Total non-operating revenues	289,559
Income (loss) before other sources (uses)	20,687
Other sources (uses)	
Capital contributions	10,107
Gain (loss) on disposal of assets	(1,430)
Total other sources (uses)	8,677
Changes in net assets	29,364
Net assets beginning of year, as restated	378,098
Net assets end of year	\$ 407,462

See notes to financial statements.

**Dallas Center-Grimes Community School District**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year ended June 30, 2012**

	Enterprise Funds
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 824,932
Cash received from miscellaneous operating activities	9,749
Cash payments to employees for services	(53,099)
Cash payments to suppliers for goods or services	(1,139,676)
Net cash used by operating activities	<u>(358,094)</u>
Cash flows from non-capital financing activities:	
State grants received	9,373
Federal grants received	222,635
Net cash provided by non-capital financing activities	<u>232,008</u>
Cash flows from capital and related financing activities:	
Interfund loan	156,927
Net cash provided by capital and related financing activities	<u>156,927</u>
Cash flows from investing activities:	
Interest on investments	<u>732</u>
Net increase in cash and cash equivalents	31,573
Cash and cash equivalents at beginning of year	<u>164,952</u>
Cash and cash equivalents at end of year	<u><u>\$ 196,525</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (268,872)
Adjustments to reconcile operating loss to	
net cash used by operating activities:	
Commodities used	56,819
Depreciation	40,146
(Increase) in accounts receivable	(193,766)
(Increase) in inventories	(4,348)
Increase in accounts payable	12,004
(Decrease) in other postemployment benefits	(77)
Net cash used by operating activities	<u><u>\$ (358,094)</u></u>
<b>Reconciliation of cash and cash equivalents at year end to</b>	
<b>specific assets included on Statement of Net Assets:</b>	
Current assets:	
Cash and investments	\$ 196,525
Cash and cash equivalents at year end	<u><u>\$ 196,525</u></u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2012, the District received \$56,819 of federal commodities

See notes to financial statements.

Exhibit J

**Dallas Center-Grimes Community School District  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2012**

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Cash and pooled investments	\$ 159,546	17,619
<b>Total assets</b>	159,546	17,619
<b>Liabilities</b>		
Accounts payable	-	17,619
<b>Total liabilities</b>	-	17,619
<b>Net assets</b>		
Reserved for scholarships	159,546	-
<b>Total net assets</b>	\$ 159,546	-

See notes to financial statements.

Exhibit K

**Dallas Center-Grimes Community School District**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**Year ended June 30, 2012**

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 63,180
Interest income	139
Total additions	63,319
Deductions:	
Support services:	
Scholarships awarded	48,600
Change in net assets	14,719
Net assets beginning of year	144,827
Net assets end of year	\$ 159,546

See notes to financial statements.

(1) **Summary of Significant Accounting Policies**

The Dallas Center-Grimes Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades preschool through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Dallas Center and Grimes, Iowa, and the predominate agricultural territory in Dallas County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Dallas Center-Grimes Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

Dallas Center-Grimes Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Dallas County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.



Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The other governmental funds of the District are considered non-major and are as follows:

Special Revenue Funds: The Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Management Fund: This fund is authorized by Iowa Code Section 298.4 and accounts for transactions related to unemployment, early retirement, judgments and settlements and the cost of liability insurance as it relates to property and casualty.

Student Activity Funds: This fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising and other extra-curricular or co-curricular activities.

Proprietary fund types are used to account for the District's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows. The following are the District's proprietary funds:

Enterprise Funds: Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the District has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements, issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements.

The District's proprietary funds consist of three Enterprise funds: School Nutrition, Student Construction and School Farm Account. These funds are used to account for the food service operations, student construction operations and farm rental operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the "economic resources measurement focus" and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expense when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business type activities columns in the Government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of the succeeding year's property tax receivable.

Deferred revenue on the Statement of Net Assets consists of the succeeding year's property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities - In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

*Restricted* - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

*Committed* - Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

*Unassigned* - All amounts not included in other spendable classifications.

Restricted Net Assets - In the Government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures exceeded the amounts budgeted in the instructional and non-instructional functions.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

**Dallas Center-Grimes Community School District**  
**Notes to Financial Statements**  
**June 30, 2012**

---

At June 30, 2012, the District had investments in the following:

Iowa Schools Joint Investment Trust	
Diversified portfolio	\$ 1,733,298
Bankers Trust	
	9,848,184
IPASeducation Program:	
Institutional Money Market	3
	<u>\$ 11,581,485</u>

Interest rate risk. As a means of limiting exposure to fair value losses arising from rising interest rates, the District's investment policy requires operating funds to be invested in investments that mature within three hundred and ninety-seven days or less. When investing other than operating funds, the investments must mature according to the needs of the funds. Operating funds of the District are funds which are reasonably expected to be used during a current budget year or within fifteen months of receipt.

Credit risk. The investments in the Iowa Schools Joint Investment Trust and the IPASeducation program were both rated Aaa by Moody's Investors Service. The fair value of the District's position in these programs is the same as the value of the program share. The District is authorized by statute to invest public funds not currently needed for operating expenses in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa, and certain joint investment trusts. The District may also invest in commercial paper or other short-term corporate debt that matures within two hundred seventy days that is rated in the highest classification, as established by at least one of the standard rating services approved by the superintendent of banking by rules adopted pursuant to Chapter 17A, provided that at the time of purchase no more than five percent of the investment portfolio shall be invested in the securities of a single issuer.

**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
Debt service	Capital projects	\$ 559,193
		<u>\$ 559,193</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,993,829	-	-	1,993,829
Construction in progress	1,754,738	13,001,657	-	14,756,395
Total capital assets not being depreciated	3,748,567	13,001,657	-	16,750,224
Capital assets being depreciated:				
Buildings	38,553,667	-	-	38,553,667
Improvements other than buildings	1,436,448	-	-	1,436,448
Furniture and equipment	4,032,548	270,157	50,840	4,251,865
Total capital assets being depreciated	44,022,663	270,157	50,840	44,241,980
Less accumulated depreciation for:				
Buildings	7,450,168	700,465	-	8,150,633
Improvements other than buildings	961,731	146,453	49,117	1,059,067
Furniture and equipment	3,025,147	312,185	-	3,337,332
Total accumulated depreciation	11,437,046	1,159,103	49,117	12,547,032
Total capital assets being depreciated, net	32,585,617	(888,946)	1,723	31,694,948
Governmental activities capital assets, net	\$ 36,334,184	12,112,711	1,723	48,445,172
<b>Business type activities:</b>				
Furniture and equipment	\$ 481,357	10,107	11,501	479,963
Less accumulated depreciation	275,666	40,146	7,143	308,669
Business type activities capital assets, net	\$ 205,691	(30,039)	4,358	171,294

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 300,509
Special	5,435
Other	575,284

Support services:

Student support	2,541
Instructional staff	89,773
Administration	51,662
Operation and maintenance of plant	9,608
Transportation	124,291

Total governmental activities depreciation expense	\$ 1,159,103
--	--------------

Business type activities:

Food services	\$ 40,146
---------------	-----------

**Dallas Center-Grimes Community School District**  
**Notes to Financial Statements**  
**June 30, 2012**

**(5) Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 31,165,000	9,500,000	1,070,000	39,595,000	1,075,000
Revenue bonds	4,925,000	-	-	4,925,000	-
Capital loan note	175,000	-	175,000	-	-
Early retirement	565,389	154,938	114,876	605,451	143,876
Net OPEB liability	95,802	-	923	94,879	-
Total	\$ 36,926,191	9,654,938	1,360,799	45,220,330	1,218,876
Business-type activities:					
Net OPEB liability	\$ 757	-	77	680	-

General Obligation Bonds Payable

Details of the District's June 30, 2012 general obligation bonded indebtedness are as follows:

Year ending	Bond Issue of November 1, 2002			Bond Issue of July 1, 2004			Bond Issue of May 1, 2006		
June 30,	Int. Rate %	Principal	Interest	Int. Rate %	Principal	Interest	Int. Rate %	Principal	Interest
2013	4.00	\$ 250,000	212,232	4.25	10,000	140,957	3.900	180,000	228,110
2014	3.70	260,000	202,232	4.30	10,000	140,533	3.900	185,000	221,090
2015	3.85	275,000	192,612	4.30	10,000	140,102	3.950	195,000	213,875
2016	4.00	285,000	182,025	4.30	10,000	139,673	4.000	205,000	206,173
2017	4.10	305,000	170,625	4.40	10,000	139,242	4.050	195,000	197,972
2018	4.15	315,000	158,120	4.45	10,000	138,803	4.100	200,000	190,075
2019	4.25	325,000	145,047	4.50	10,000	138,357	4.100	215,000	181,875
2020	4.30	345,000	131,235	4.55	10,000	137,908	4.125	220,000	173,060
2021	4.40	1,275,000	116,400	4.65	10,000	137,452	4.150	90,000	163,985
2022	4.50	1,340,000	60,300	4.75	5,000	136,988	4.200	90,000	160,250
2023	-	-	-	5.00	1,335,000	136,750	4.200	165,000	156,470
2024	-	-	-	5.00	1,400,000	70,000	4.200	170,000	149,540
2025	-	-	-	-	-	-	4.200	1,650,000	142,400
2026	-	-	-	-	-	-	4.250	1,720,000	73,100
2027	-	-	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-	-	-
2029	-	-	-	-	-	-	-	-	-
		<u>4,975,000</u>	<u>1,570,828</u>		<u>2,830,000</u>	<u>1,596,765</u>		<u>5,480,000</u>	<u>2,457,975</u>

**Dallas Center-Grimes Community School District**  
**Notes to Financial Statements**  
**June 30, 2012**

General Obligation Bonds Payable (continued)

Year ending June 30,	Bond Issue of April 1, 2010			Bond Issue of December 1, 2010		
	Int. Rate %	Principal	Interest	Int. Rate %	Principal	Interest
2013	2.500	635,000	157,335	5.625	-	620,156
2014	2.500	655,000	141,460	5.625	-	620,156
2015	2.500	680,000	125,085	5.625	-	620,156
2016	2.500	700,000	108,085	5.625	-	620,156
2017	2.650	735,000	90,585	5.625	-	620,156
2018	2.800	765,000	71,108	5.625	-	620,156
2019	3.000	790,000	49,687	5.625	-	620,156
2020	3.150	825,000	25,987	5.625	-	620,156
2021	-	-	-	5.625	-	620,156
2022	-	-	-	5.625	-	620,156
2023	-	-	-	5.625	-	620,156
2024	-	-	-	5.625	-	620,156
2025	-	-	-	5.625	-	620,156
2026	-	-	-	5.625	-	620,156
2027	-	-	-	5.625	-	620,156
2028	-	-	-	5.625	-	620,156
2029	-	-	-	5.625	11,025,000	620,156
		<u>5,785,000</u>	<u>769,332</u>		<u>11,025,000</u>	<u>10,542,652</u>

Year ending June 30,	Bond Issue of February 1, 2012			Total		
	Int. Rate %	Principal	Interest	Principal	Interest	Total
2013	1.000	-	158,062	1,075,000	1,516,852	2,591,852
2014	1.000	200,000	158,062	1,310,000	1,483,533	2,793,533
2015	1.000	300,000	156,062	1,460,000	1,447,892	2,907,892
2016	1.000	700,000	153,062	1,900,000	1,409,174	3,309,174
2017	1.000	685,000	146,062	1,930,000	1,364,642	3,294,642
2018	1.000	690,000	139,212	1,980,000	1,317,474	3,297,474
2019	1.500	700,000	132,313	2,040,000	1,267,435	3,307,435
2020	1.500	700,000	121,813	2,100,000	1,210,159	3,310,159
2021	1.750	1,400,000	111,313	2,775,000	1,149,306	3,924,306
2022	1.750	1,400,000	86,813	2,835,000	1,064,507	3,899,507
2023	2.000	150,000	62,313	1,650,000	975,689	2,625,689
2024	2.250	175,000	59,313	1,745,000	899,009	2,644,009
2025	2.250	1,300,000	55,375	2,950,000	817,931	3,767,931
2026	2.375	1,100,000	26,125	2,820,000	719,381	3,539,381
2027	-	-	-	-	620,156	620,156
2028	-	-	-	-	620,156	620,156
2029	-	-	-	11,025,000	620,156	11,645,156
		<u>9,500,000</u>	<u>1,565,900</u>	<u>\$39,595,000</u>	<u>18,503,452</u>	<u>58,098,452</u>



Revenue Bonds

Details of the District's June 30, 2012 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year ending June 30,	Bond Issue of December 1, 2010		
	Int. Rate %	Principal	Interest
2013	5.850	\$ -	288,112
2014	5.850	-	288,113
2015	5.850	-	288,112
2016	5.850	-	288,113
2017	5.850	-	288,112
2018	5.850	-	288,113
2019	5.850	-	288,112
2020	5.850	-	288,113
2021	5.850	-	288,112
2022	5.850	-	288,113
2023	5.850	-	288,112
2024	5.850	-	288,113
2025	5.850	-	288,112
2026	5.850	-	288,113
2027	5.850	-	288,112
2028	5.850	-	288,113
2029	5.850	-	288,112
2030	5.850	4,925,000	144,056
		<u>\$ 4,925,000</u>	<u>5,041,968</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$4,925,000 of bonds issued in December 2011. The bonds were issued for the purpose of financing a portion of the costs of a new school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 33% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$5,041,968. For the current year, \$306,520 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,593,760.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- b) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- c) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District did comply with all of the revenue bond provisions during the year ended June 30, 2012.

**(6) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011 and 2010, were \$952,443, \$778,278, and \$687,652, respectively, equal to the required contributions for each year.

**(7) Other Post-Employment Benefits (OPEB)**

Plan Description - The District operates a retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 257 active and 24 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is purchased through an outside provider. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 192,000
Interest on net OPEB obligation	4,000
Adjustment to annual required contribution	(6,000)
Annual OPEB cost	190,000
Contributions made	(191,000)
Increase in net OPEB obligation	(1,000)
Net OPEB obligation beginning of year	96,559
Net OPEB obligation end of year	\$ 95,559

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2011. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$191,000 to the medical plan. Plan members eligible for benefits were not required to contribute.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 204,000	76.47%	\$ 48,000
June 30, 2011	204,559	76.26%	96,559
June 30, 2012	190,000	100.53%	95,559

Funded Status and Funding Progress - As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$1,968,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,968,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$11,400,000, and the ratio of the UAAL to covered payroll was 17.3%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2011 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumption includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2010 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2010.

The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(8) Termination Benefits**

The District offered a voluntary early retirement plan to its full-time, certified employees. Eligible employees must have been at least age fifty-five and must have completed fifteen years of continuous service to the District, except for administrators who must have completed ten years. Employees must have completed an application which is subject to approval by the Board of Education. The benefits are arrived at by taking the average salary over the last fifteen years times a percentage at the time of early retirement. The percentage starts at 25% at age 55 and decreases each year to 0% at age 65. Early retirement expenditures for the year ended June 30, 2012 totaled \$114,876. The District did not renew this plan for the fiscal year ending June 30, 2012 but may choose to renew in the future.

**(9) Risk Management**

Dallas Center-Grimes Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$700,651 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Related Party Transaction**

The District had business transactions totaling \$2,068 between the District and District officials during the year ended June 30, 2012.

**(12) Construction Commitment**

The District has entered into various contracts totaling \$16,106,197 for the construction of a new 8-9 school building and concession building. As of June, 2012, costs of \$14,756,395 had been incurred against the contracts. The balance of \$1,349,802 remaining at June 30, 2012 will be paid as work on the project progresses.

**(13) Restatement**

The beginning General fund balance and beginning Net Assets were adjusted upwards in the amount of \$3,877 due to a restatement of prior year payables. The beginning Net Assets for the School Nutrition fund were adjusted downward in the amount of \$2,928 due to restatement of prior year payables. The beginning Management fund balance was adjusted upwards in the amount of \$114,876 due to a change of accrual method used for early retirement benefits.

### **Required Supplementary Information**

**Dallas Center-Grimes Community School District**  
**Budgetary Comparison Schedule of Revenues, Expenditures, and Changes in Balances**  
**Budget and Actual - All Governmental Funds and Proprietary Funds**  
**Required Supplementary Information**  
**Year ended June 30, 2012**

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance-Favorable (Unfavorable)
Revenues:					
Local sources	\$ 15,996,380	1,029,179	17,025,559	16,364,263	661,296
Intermediate sources	-	-	-	95,791	(95,791)
State sources	9,543,447	9,373	9,552,820	11,367,562	(1,814,742)
Federal sources	1,545,858	279,454	1,825,312	716,944	1,108,368
Total revenues	27,085,685	1,318,006	28,403,691	28,544,560	(140,869)
Expenditures:					
Instruction	12,845,869	183,776	13,029,645	12,655,204	(374,441)
Support services	6,511,992	-	6,511,992	7,911,131	1,399,139
Non-instructional programs	-	1,113,543	1,113,543	1,050,003	(63,540)
Other expenditures	19,280,936	-	19,280,936	20,843,165	1,562,229
Total expenditures	38,638,797	1,297,319	39,936,116	42,459,503	2,523,387
Excess (deficiency) of revenues over (under) expenditures	(11,553,112)	20,687	(11,532,425)	(13,914,943)	2,382,518
Other financing sources, net	9,500,000	8,677	9,508,677	-	9,508,677
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(2,053,112)	29,364	(2,023,748)	(13,914,943)	11,891,195
Balance beginning of year, as restated	24,420,868	378,098	24,798,966	23,571,242	1,227,724
Balance end of year	\$ 22,367,756	407,462	22,775,218	9,656,299	13,118,919

See accompanying independent auditor's report.

**Dallas Center-Grimes Community School District**  
**Notes to Required Supplementary Information - Budgetary Reporting**  
**Year ended June 30, 2012**

---

This budgetary comparison is presented as Required Supplementary Information in accordance with *Governmental Accounting Standards* Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2012, expenditures exceeded the amounts budgeted in the amounts budgeted in the instruction and non-instructional functions.

**Dallas Center-Grimes Community School District**  
**Schedule of Funding Progress for the Retiree Health Plan**  
**Required Supplementary Information**

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	2,190,000	2,190,000	0.0%	\$ 10,300,000	21.3%
2011	July 1, 2009	-	2,190,000	2,190,000	0.0%	10,800,000	20.3%
2012	July 1, 2011	-	1,968,000	1,968,000	0.0%	11,400,000	17.3%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.



## **Other Supplementary Information**

## Schedule 1

**Dallas Center-Grimes Community School District**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2012**

		Special Revenue Funds		
		Management Levy	Student Activity	Total
<b>Assets</b>				
Cash and pooled investments		\$ 143,900	214,245	358,145
Receivables:				
Property tax:				
Delinquent		2,902	-	2,902
Succeeding year		575,000	-	575,000
Due from other funds		156,927	-	156,927
<b>Total assets</b>		<b>\$ 878,729</b>	<b>214,245</b>	<b>1,092,974</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts Payable		\$ 4,995	6,284	11,279
Deferred revenue:				
Succeeding year property tax		575,000	-	575,000
Total liabilities		579,995	6,284	586,279
Fund balances:				
Restricted for:				
Management levy purposes		298,734	-	298,734
Student activities		-	207,961	207,961
Total fund balances		298,734	207,961	506,695
<b>Total liabilities and fund balances</b>		<b>\$ 878,729</b>	<b>214,245</b>	<b>1,092,974</b>

See accompanying independent auditor's report.

## Schedule 2

**Dallas Center-Grimes Community School District**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**Year ended June 30, 2012**

	Special Revenue Funds		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 497,327	-	497,327
Other	19,508	589,508	609,016
State sources	115	-	115
Total revenues	516,950	589,508	1,106,458
Expenditures:			
Current:			
Instruction:			
Regular	127,022	-	127,022
Other	-	550,658	550,658
Support Services:			
Operation and maintenance of plant	540,985	-	540,985
Transportation	31,512	-	31,512
Total expenditures	699,519	550,658	1,250,177
Excess (deficiency) of revenues over (under) expenditures	(182,569)	38,850	(143,719)
Fund balances beginning of year, as restated	481,303	169,111	650,414
Fund balances end of year	\$ 298,734	207,961	506,695

See accompanying independent auditor's report.

## Schedule 3

**Dallas Center-Grimes Community School District**  
**Schedule of Changes in Special Revenue Fund, Student Activity Accounts**

Account	Balance Beginning of Year	Revenues	Expenditures	Transfers	Balance end of Year
Annuals	\$ 3,503	3,452	5,364	-	1,591
Art Club	1,097	60	-	-	1,157
Athletics	4,462	36,306	14,670	(10,253)	15,845
Athletics Resale	-	67,167	67,887	720	-
HS/MS/Elem Band Resale	-	9,405	56,829	49,885	2,461
Baseball	-	1,259	6,941	5,682	-
Boosters	-	92,418	89,747	(1,556)	1,115
Boys/Girls Basketball	3,389	20,933	18,822	-	5,500
Character Counts	418	-	-	-	418
Class of:					
2003	210	-	-	(210)	-
2011	-	-	4,685	4,685	-
2012	1,465	220	3,938	2,253	-
2013	4,347	1,919	-	-	6,266
2014	2,590	1,970	585	-	3,975
2015	-	1,840	-	-	1,840
Cross Country	-	841	1,932	1,091	-
DC Presbyterian Student Emergency Fund	6,390	1,144	1,179	-	6,355
Dig Pink Volleyball	45	-	-	-	45
Drama/Speech	-	-	2,144	2,144	-
Drill Team	319	-	-	-	319
Equip Repair	-	-	627	627	-
Football	7,523	34,298	32,346	-	9,475
French Club	685	-	-	-	685
FFA	18,296	14,404	15,056	(3,000)	14,644
FHA	2,041	536	572	-	2,005
Girls Softball	-	7,722	13,032	5,310	-
Golf	-	63	6,756	6,693	-
HS Bakers	705	2,546	1,793	-	1,458
HS Enterprise	272	-	-	-	272
HS Student Council	7,481	5,302	5,006	-	7,777
HS Honor Society	122	2,005	1,187	-	940
HS Cheerleading	2,286	263	658	-	1,891
HS Dance Marathon	3,766	3,233	6,699	-	300
HS Juice/Pop Machine	2,743	11,196	5,961	(4,686)	3,292
HS Sign-Monument Fundraiser	122	-	-	-	122
HS Band/Vocal Fundraiser	-	105,595	55,199	(50,286)	110
Horticulture Club	202	-	-	-	202
Interest	9,364	665	405	(2,671)	6,953
Soccer	-	12,239	14,024	1,785	-
HS Drama/Musical	7,914	1,904	-	(2,143)	7,675
MS Drama/Musical	-	439	-	-	439
P.A.L.S.	1,597	1,035	766	-	1,866
Picture Fund	9,202	7,044	5,614	-	10,632
SADD	380	-	-	-	380
Spanish Club	638	-	-	-	638
Track	-	12,670	13,561	891	-
Volleyball	505	5,424	8,563	2,634	-

## Schedule 3

**Dallas Center-Grimes Community School District**  
**Schedule of Changes in Special Revenue Fund, Student Activity Accounts**

Account	Balance Beginning of Year	Revenues	Expenditures	Transfers	Balance end of Year
Washington DC fundraiser	595	3,585	5,090	1,000	90
Wind Commissioning Project	1,000	-	-	-	1,000
Wrestling	398	11,323	12,586	865	-
HS/MS/Elem Vocal Resale	3,027	16,788	18,125	-	1,690
Jr. High Annual	6,023	4,620	558	-	10,085
Jr. High Cheerleading	1,922	-	-	-	1,922
Jr. High Juice/Pop Machine	3,070	45,994	28,568	(13,618)	6,878
Jr. High Student Council	-	1,007	1,109	9,000	8,898
Jr. High Home Economics	-	-	3,619	3,619	-
MS Athletics	7,475	7,885	-	(10,461)	4,899
MS Band/Vocal Fundraiser	3,473	360	-	-	3,833
Northridge Fundraiser	2,985	2,268	1,593	-	3,660
Kiwanis Key Club	890	2,597	2,216	-	1,271
Seniors Against Cancer 2010	36	-	-	-	36
K. Reed Baseball Fundraiser	7,155	-	-	-	7,155
FFA Test Plot	-	11,439	5,031	-	6,408
Elementary Fundraiser - Grimes	11,395	6,357	-	(3,536)	14,216
Elementary Fundraiser - D.C.	14,634	4,428	2,443	-	16,619
Elementary Juice Fund	305	3,235	7,076	3,536	-
Elementary Student Council	649	105	96	-	658
Total	\$ 169,111	589,508	550,658	-	207,961

See accompanying independent auditor's report.

## Schedule 4

**Dallas Center-Grimes Community School District**  
**Combining Balance Sheet**  
**Capital Project Accounts**  
**June 30, 2012**

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 3,988,248	1,342,754	5,331,002
Receivables:			
Property tax:			
Delinquent	-	5,259	5,259
Succeeding year	-	1,125,356	1,125,356
Due from other governments	128,543	-	128,543
<b>Total assets</b>	<b>\$ 4,116,791</b>	<b>2,473,369</b>	<b>6,590,160</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts Payable	\$ 414,454	296,936	711,390
Deferred revenue:			
Succeeding year property tax	-	1,125,356	1,125,356
Total liabilities	414,454	1,422,292	1,836,746
Fund balances:			
Restricted for:			
School infrastructure	3,702,337	-	3,702,337
Physical plant and equipment	-	1,051,077	1,051,077
Total fund balances	3,702,337	1,051,077	4,753,414
<b>Total liabilities and fund balances</b>	<b>\$ 4,116,791</b>	<b>2,473,369</b>	<b>6,590,160</b>

See accompanying independent auditor's report.

## Schedule 5

**Dallas Center-Grimes Community School District**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Capital Project Accounts**  
**Year ended June 30, 2012**

	Capital Projects			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Projects	Total
Revenues:				
Local sources:				
Local tax	\$ 1,593,760	901,963	-	2,495,723
Other	40,148	4,013	30,995	75,156
State sources	-	196	-	196
Total revenues	1,633,908	906,172	30,995	2,571,075
Expenditures:				
Current:				
Support services:				
Administration	-	101,159	-	101,159
Operation and maintenance of plant	-	43,346	-	43,346
Transportation	-	175,612	-	175,612
Other expenditures:				
Facilities acquisition	5,512,687	555,092	9,204,862	15,272,641
Total expenditures	5,512,687	875,209	9,204,862	15,592,758
Excess (deficiency) of revenues over (under) expenditures	(3,878,779)	30,963	(9,173,867)	(13,021,683)
Other financing uses:				
Operating transfers out	(555,709)	(3,484)	-	(559,193)
Total other financing uses	(555,709)	(3,484)	-	(559,193)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(4,434,488)	27,479	(9,173,867)	(13,580,876)
Fund balances beginning of year	8,136,825	1,023,598	9,173,867	18,334,290
Fund balances end of year	\$ 3,702,337	1,051,077	-	4,753,414

See accompanying independent auditor's report.

## Schedule 6

**Dallas Center-Grimes Community School District**  
**Combining Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2012**

	Enterprise Funds			
	School Nutrition	Student Construction	Farm Account	Total
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 186,752	-	9,773	196,525
Accounts receivable	-	193,766	-	193,766
Inventories	16,589	-	-	16,589
Total current assets	203,341	193,766	9,773	406,880
Non-current assets:				
Machinery and equipment	479,963	-	-	479,963
Accumulated depreciation	(308,669)	-	-	(308,669)
Total non-current assets	171,294	-	-	171,294
<b>Total assets</b>	374,635	193,766	9,773	578,174
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	12,664	441	-	13,105
Due to other funds	-	156,927	-	156,927
Net OPEB liability	680	-	-	680
<b>Total current liabilities</b>	13,344	157,368	-	170,712
<b>Net assets</b>				
Invested in capital assets	171,294	-	-	171,294
Unrestricted	189,997	36,398	9,773	236,168
<b>Total net assets</b>	\$ 361,291	36,398	9,773	407,462

See accompanying independent auditor's report.



**Dallas Center-Grimes Community School District**  
**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**Year ended June 30, 2012**

	Enterprise Funds			
	School Nutrition	Student Construction	Farm Account	Total
Operating revenue:				
Local sources:				
Other local sources:				
Food service sales	\$ 824,932	-	-	824,932
Other operating revenue	9,114	193,766	635	203,515
Total operating revenues	834,046	193,766	635	1,028,447
Operating expenses:				
Instructional programs:				
Support services:				
Services	-	71,757	355	72,112
Supplies	-	107,847	3,567	111,414
Miscellaneous	-	250	-	250
	-	179,854	3,922	183,776
Non-instructional programs:				
Food services operations:				
Salaries	40,981	-	-	40,981
Benefits	12,041	-	-	12,041
Services	962,896	-	-	962,896
Supplies	57,479	-	-	57,479
Depreciation	40,146	-	-	40,146
	1,113,543	-	-	1,113,543
Total operating expenses	1,113,543	179,854	3,922	1,297,319
Operating income (loss)	(279,497)	13,912	(3,287)	(268,872)
Non-operating revenue:				
State lunch and breakfast program claims	9,373	-	-	9,373
National school lunch program	194,859	-	-	194,859
School breakfast program	27,776	-	-	27,776
Federal food commodities revenue	56,819	-	-	56,819
Interest income	732	-	-	732
Total non-operating revenues	289,559	-	-	289,559
Income (loss) before other sources (uses)	10,062	13,912	(3,287)	20,687
Other sources				
Capital contributions	10,107	-	-	10,107
Loss on disposal of assets	(1,430)	-	-	(1,430)
Total other sources	8,677	-	-	8,677
Change in net assets	18,739	13,912	(3,287)	29,364
Net assets beginning of year, as restated	342,552	22,486	13,060	378,098
Net assets end of year	\$ 361,291	36,398	9,773	407,462

See accompanying independent auditor's report.

**Dallas Center-Grimes Community School District**  
**Combining Statement of Cash Flows**  
**Proprietary Funds**  
**Year ended June 30, 2012**

	Enterprise Funds			
	School Nutrition	Student Construction	Farm Account	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 824,932	-	-	824,932
Cash received from miscellaneous operating activities	9,114	-	635	9,749
Cash payments to employees for services	(53,099)	-	-	(53,099)
Cash payments to suppliers for goods or services	(955,240)	(180,514)	(3,922)	(1,139,676)
Net cash used by financing activities	(174,293)	(180,514)	(3,287)	(358,094)
Cash flows from non-capital financing activities:				
State grants received	9,373	-	-	9,373
Federal grants received	222,635	-	-	222,635
Net cash provided by non-capital financing activities	232,008	-	-	232,008
Cash flows from capital and related financing activities:				
Interfund loan	-	156,927	-	156,927
Net cash provided by capital and related financing activities	-	156,927	-	156,927
Cash flows from investing activities:				
Interest on investments	732	-	-	732
Net increase in cash and cash equivalents	58,447	(23,587)	(3,287)	31,573
Cash and cash equivalents at beginning of year	128,305	23,587	13,060	164,952
Cash and cash equivalents at end of year	\$ 186,752	-	9,773	196,525
<b>Reconciliation of operating income (loss) to net cash used by operating activities:</b>				
Operating income (loss)	\$ (279,497)	13,912	(3,287)	(268,872)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Commodities received	56,819	-	-	56,819
Depreciation	40,146	-	-	40,146
Increase in accounts receivable	-	(193,766)	-	(193,766)
Increase in inventories	(4,348)	-	-	(4,348)
Increase (decrease) in accounts payable	12,664	(660)	-	12,004
(Decrease) in other postemployment benefits	(77)	-	-	(77)
Net cash used by operating activities	\$ (174,293)	(180,514)	(3,287)	(358,094)
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:</b>				
Current assets:				
Cash and investments	\$ 186,752	-	9,773	196,525
Cash and cash equivalents at year end	\$ 186,752	-	9,773	196,525

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2012, the District received \$56,819 of federal commodities.

See accompanying independent auditor's report.

## Schedule 9

**Dallas Center-Grimes Community School District**  
**Schedule of Changes in Fiduciary Assets and Liabilities**  
**Agency Funds**  
**Year ended June 30, 2012**

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash	\$ 17,109	94,520	94,010	17,619
<b>Total assets</b>	<b>\$ 17,109</b>	<b>94,520</b>	<b>94,010</b>	<b>17,619</b>
<b>Liabilities</b>				
Accounts payable	\$ 17,109	94,520	94,010	17,619
<b>Total liabilities</b>	<b>\$ 17,109</b>	<b>94,520</b>	<b>94,010</b>	<b>17,619</b>

See accompanying independent auditor's report.

**Dallas Center-Grimes Community School District**  
**Schedule of Revenues by Source and Expenditures by Function**  
**All Governmental Funds**  
**For the Last Ten Years**

	Modified Accrual Basis									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues:										
Local sources:										
Local tax	\$ 12,949,278	12,739,378	11,363,921	10,619,714	9,825,186	9,082,518	8,307,448	7,758,249	7,252,099	6,885,291
Tuition	1,980,567	1,500,763	1,395,539	1,012,133	843,932	856,003	762,661	551,096	495,100	391,003
Other	1,066,535	950,438	857,296	1,086,116	1,020,355	1,291,850	749,178	853,784	588,265	763,894
Intermediate sources	-	-	-	-	-	-	-	9,160	4,994	3,703
State sources	9,543,447	8,604,944	7,016,341	8,078,842	7,211,170	6,619,458	6,250,822	5,759,194	5,491,763	5,412,384
Federal sources	1,545,858	1,024,959	1,428,832	572,324	305,557	286,065	183,603	190,888	188,262	136,033
Total	\$ 27,085,685	24,820,482	22,061,929	21,369,129	19,206,200	18,135,894	16,253,712	15,122,371	14,020,483	13,592,308
Expenditures:										
Instruction:										
Regular	\$ 8,501,484	7,849,462	7,355,452	7,088,478	6,290,307	5,628,941	5,164,281	4,836,598	4,703,605	4,400,590
Special	2,755,783	2,634,941	2,641,397	2,553,384	2,043,222	2,007,372	2,283,500	1,726,074	1,431,814	1,415,187
Other	1,588,602	1,348,211	1,268,276	1,403,303	1,118,647	1,134,497	520,020	833,671	732,951	722,347
Support services:										
Student	460,271	447,669	304,895	280,913	308,091	313,631	262,652	274,129	295,459	287,944
Instructional staff	762,515	674,401	622,790	625,916	728,554	641,692	607,481	596,483	504,541	517,441
Administration	2,032,968	2,031,545	1,849,610	1,574,775	1,266,285	1,105,159	1,020,140	996,449	888,813	912,383
Operation and maintenance of plant	2,253,378	1,955,381	1,924,219	1,906,595	1,711,100	1,701,335	1,540,756	1,448,043	1,313,900	1,180,972
Transportation	1,002,860	945,413	922,979	734,216	908,382	684,799	677,594	705,590	525,324	397,907
Central support	-	-	-	-	-	-	-	-	6,484	17,002
Other expenditures:										
Facilities acquisition	15,272,641	2,222,456	414,834	1,685,470	6,838,285	2,855,622	1,830,565	4,100,500	5,399,710	2,516,067
Long-term debt:										
Principal	1,245,000	1,160,000	1,285,301	1,703,506	1,761,407	3,419,786	1,475,000	1,090,000	925,000	950,000
Interest and other charges	2,062,644	1,058,320	1,011,053	1,031,399	1,092,893	1,171,975	1,053,011	1,115,523	1,165,404	815,501
AEA flowthrough	700,651	731,714	689,348	602,958	528,510	483,562	445,711	412,728	405,946	419,009
Total	\$ 38,638,797	23,059,513	20,290,154	21,190,913	24,595,683	21,148,371	16,880,711	18,135,788	18,298,951	14,552,350

See accompanying independent auditor's report.

**Dallas Center-Grimes Community School District**  
**Schedule of Expenditures of Federal Awards**  
**Year ended June 30, 2012**

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 12	\$ 27,776
National School Lunch Program	10.555	FY 12	251,678
			<u>279,454</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY 12	<u>86,402</u>
Career and Technical Education - Basic Grants to States	84.048	FY 12	<u>55,700</u>
Enhancing Education Through Technology	84.318	FY 12	<u>3,900</u>
Advanced Placement Program	84.330	FY 12	<u>114</u>
English Language Acquisition State Grants	84.365	FY 12	<u>3,105</u>
Improving Teacher Quality State Grants	84.367	FY12	<u>23,903</u>
Grants for State Assessments and Related Activities	84.369	FY 12	<u>11,102</u>
Education Jobs Fund	84.410	FY12	<u>5,400</u>
Area Education Agency:			
Special Education - Grants to States	84.027	FY 12	<u>94,872</u>
Total			<u>\$ 563,952</u>

See accompanying independent auditor's report.

**Dallas Center-Grimes Community School District**  
**Notes to Schedule of Expenditures of Federal Awards**  
**June 30, 2012**

---

**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of the Dallas Center-Grimes Community School District for the year ended June 30, 2012. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies is included in the schedule. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of states, Local Governments and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Note 2. Significant Accounting Policies**

For governmental funds, in accordance with the modified accrual basis of accounting, revenue from federal grants is recognized when they become both measurable and available. For proprietary funds, in accordance with the accrued basis of accounting, revenues from federal grants are recognized in the period they are earned. Expenditures of federal awards are recognized in the accounting period when the liability is incurred.

**Note 3. Pass-through Funding**

Of the federal expenditures presented in the schedule, the District provided federal awards to subrecipients as follows:

Program Title	CFDA Number	Amount Provided to Subrecipient
Career and Technical Education - Basic Grants to States	84.048	\$ 29,842

**Note 4. Noncash Assistance**

The schedule includes federal awards in the form of noncash assistance (commodities) received during the year in the amount of \$56,819 related to USDA Commodities grants provided by the U.S. Department of Agriculture passed through the Iowa Department of Education, CFDA No. 10.555.

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

To the Board of Education of Dallas Center-Grimes Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Dallas Center-Grimes Community School District, Dallas Center and Grimes, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 20, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

The management of Dallas Center-Grimes Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Dallas Center-Grimes Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Dallas Center-Grimes Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Dallas Center-Grimes Community School District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Dallas Center-Grimes Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Dallas Center-Grimes Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Dallas Center-Grimes Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Dallas Center-Grimes Community School District and other parties to whom Dallas Center-Grimes Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Dallas Center-Grimes Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Van Maanen, Sietstra & Meyer, PC*

Van Maanen, Sietstra & Meyer, PC  
Certified Public Accountants

November 20, 2012



**Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133**

To the Board of Education of Dallas Center-Grimes Community School District:

**Compliance**

We have audited Dallas Center-Grimes Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Dallas Center-Grimes Community School District's major federal programs for the year ended June 30, 2012. Dallas Center-Grimes Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Dallas Center-Grimes Community School District's management. Our responsibility is to express an opinion on Dallas Center-Grimes Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Dallas Center-Grimes Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Dallas Center-Grimes Community School District's compliance with those requirements.

In our opinion, Dallas Center-Grimes Community School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

**Internal Control Over Compliance**

The management of Dallas Center-Grimes Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Dallas Center-Grimes Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Dallas Center-Grimes Community School District's internal control over compliance.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Dallas Center-Grimes Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Dallas Center-Grimes Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Dallas Center-Grimes Community School District and other parties to whom Dallas Center-Grimes Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

*Van Maanen, Sietstra & Meyer, PC*

Van Maanen, Sietstra & Meyer, PC  
Certified Public Accountants

November 20, 2012

**Part I: Summary of the Independent Auditor's Results**

- (a) Unqualified opinions were issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) Major programs were as follows:
  - CFDA Number 84.410 – Education Jobs Fund
  - Clustered Programs:
    - CFDA Number 10.553 – School Breakfast Program
    - CFDA Number 10.555 – National School Lunch Program
- (g) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (h) Dallas Center-Grimes Community School District qualified as a low-risk auditee.

**Part II: Findings Related to the Financial Statements**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

No matters were noted.

**Part III: Findings and Questioned Costs for Federal Awards**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

No material weaknesses in internal control over the major programs were noted.

**Part IV: Other Findings Related to Required Statutory Reporting**

IV-A-12      Certified Budget - Expenditures for the year ended June 30, 2012, exceeded the certified budget amounts in the instruction and non-instructional functions.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

**Dallas Center-Grimes Community School District**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2012**

---

- IV-B-12      Questionable Expenditures - No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-12      Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-12      Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Carol Eilers, Spouse of Board Member	Supplies	\$79
Karen Eilers, Child of Board Member	Scholarship	1,000
Dalton Gustafson, Child of Board Member	Scholarship	500
Riley Wearmouth, Child of Business Manager	Services	64
Michelle Wiedman, Spouse of Board Member	Supplies	5
Lakes Printing, Parents of Elementary Principal, Ann Bass	Printing Services	420

In accordance with an Attorney General's opinion dated November 9, 1976, the transactions do not appear to represent a conflict of interest.

- IV-E-12      Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- IV-F-12      Board Minutes - No transactions were noted requiring Board approval which had not been approved by the Board.
- IV-G-12      Certified Enrollment - No variances were noted in the basic enrollment data certified to the Department of Education.
- IV-H-12      Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-12      Deposits and Investments - No instances of noncompliance were noted with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy.
- IV-J-12      Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.
- IV-K-12      Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

**Dallas Center-Grimes Community School District**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2012**

---

IV-L-12      Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	8,136,825
Revenues/transfers in:			
Sales tax revenues	\$	1,593,760	
Other local revenues		40,148	1,633,908
			<u>9,770,733</u>
Expenditures/transfers out:			
School infrastructure construction		5,512,687	
Transfers to other funds:			
Debt service funds		555,709	6,068,396
			<u>6,068,396</u>
Ending balance		\$	<u>3,702,337</u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.